

ASSEMBLY BILL

No. 1443

Introduced by Assembly Member DeVore

February 23, 2007

An act to amend Sections 17041 and 23151 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1443, as introduced, DeVore. Income and corporation taxes: rate reduction.

The Personal Income Tax Law and the Corporation Tax Law impose taxes upon income at specified rates.

This bill would reduce those rates, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known and may be cited as the
2 “California Investment and Jobs Act.”
3 SEC. 2. Section 17041 of the Revenue and Taxation Code is
4 amended to read:
5 17041. (a) There shall be imposed for each taxable year upon
6 the entire taxable income of every resident of this state who is not
7 a part-year resident, except the head of a household as defined in
8 Section 17042, taxes in the following amounts and at the following
9 rates upon the amount of taxable income computed for the taxable
10 year as if the resident were a resident of this state for the entire

taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$3,650.....	1% of the taxable income
Over \$3,650 but not over \$8,650.....	\$36.50 plus 2% of the excess over \$3,650
Over \$8,650 but not over \$13,650.....	\$136.50 plus 4% of the excess over \$8,650
Over \$13,650 but not over \$18,950.....	\$336.50 plus 6% of the excess over \$13,650
Over \$18,950 but not over \$23,950.....	\$654.50 plus 8% of the excess over \$18,950
Over \$23,950.....	\$1,054.50 plus 9.3% of the excess over \$23,950

(b) (1) There shall be imposed for each taxable year upon the taxable income of every nonresident or part-year resident, except the head of a household as defined in Section 17042, a tax as calculated in paragraph (2).

(2) The tax imposed under paragraph (1) shall be calculated by multiplying the “taxable income of a nonresident or part-year resident,” as defined in subdivision (i), by a rate (expressed as a percentage) equal to the tax computed under subdivision (a) on the entire taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

(c) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state who is not a part-year resident for that taxable year, when the resident is the head of a household, as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a

resident of the state for the entire taxable year and for all prior taxable years for carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$7,300.....	1% of the taxable income
Over \$7,300 but not over \$17,300.....	\$73 plus 2% of the excess over \$7,300
Over \$17,300 but not over \$22,300.....	\$273 plus 4% of the excess over \$17,300
Over \$22,300 but not over \$27,600.....	\$473 plus 6% of the excess over \$22,300
Over \$27,600 but not over \$32,600.....	\$791 plus 8% of the excess over \$27,600
Over \$32,600.....	\$1,191 plus 9.3% of the excess over \$32,600

(d) (1) There shall be imposed for each taxable year upon the taxable income of every nonresident or part-year resident when the nonresident or part-year resident is the head of a household, as defined in Section 17042, a tax as calculated in paragraph (2).

(2) The tax imposed under paragraph (1) shall be calculated by multiplying the “taxable income of a nonresident or part-year resident,” as defined in subdivision (i), by a rate (expressed as a percentage) equal to the tax computed under subdivision (c) on the entire taxable income of the nonresident or part-year resident as if the nonresident or part-year resident were a resident of this state for the taxable year and as if the nonresident or part-year resident were a resident of this state for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions, divided by the amount of that income.

(e) There shall be imposed for each taxable year upon the taxable income of every estate, trust, or common trust fund taxes equal to the amount computed under subdivision (a) for an individual having the same amount of taxable income.

(f) The tax imposed by this part is not a surtax.

1 (g) (1) Section 1(g) of the Internal Revenue Code, relating to
2 certain unearned income of minor children taxed as if the parent's
3 income, shall apply, except as otherwise provided.

4 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code,
5 relating to income included on parent's return, is modified, for
6 purposes of this part, by substituting "1 percent" for "15 percent."

7 (h) For each taxable year beginning on or after January 1, 1988,
8 the Franchise Tax Board shall recompute the income tax brackets
9 prescribed in subdivisions (a) and (c). That computation shall be
10 made as follows:

11 (1) The California Department of Industrial Relations shall
12 transmit annually to the Franchise Tax Board the percentage change
13 in the California Consumer Price Index for all items from June of
14 the prior calendar year to June of the current calendar year, no
15 later than August 1 of the current calendar year.

16 (2) The Franchise Tax Board shall do both of the following:

17 (A) Compute an inflation adjustment factor by adding 100
18 percent to the percentage change figure that is furnished pursuant
19 to paragraph (1) and dividing the result by 100.

20 (B) Multiply the preceding taxable year income tax brackets by
21 the inflation adjustment factor determined in subparagraph (A)
22 and round off the resulting products to the nearest one dollar (\$1).

23 (i) (1) For purposes of this part, the term "taxable income of a
24 nonresident or part-year resident" includes each of the following:

25 (A) For any part of the taxable year during which the taxpayer
26 was a resident of this state (as defined by Section 17014), all items
27 of gross income and all deductions, regardless of source.

28 (B) For any part of the taxable year during which the taxpayer
29 was not a resident of this state, gross income and deductions
30 derived from sources within this state, determined in accordance
31 with Article 9 of Chapter 3 (commencing with Section 17301) and
32 Chapter 11 (commencing with Section 17951).

33 (2) For purposes of computing "taxable income of a nonresident
34 or part-year resident" under paragraph (1), the amount of any net
35 operating loss sustained in any taxable year during any part of
36 which the taxpayer was not a resident of this state shall be limited
37 to the sum of the following:

38 (A) The amount of the loss attributable to the part of the taxable
39 year in which the taxpayer was a resident.

1 (B) The amount of the loss which, during the part of the taxable
2 year the taxpayer is not a resident, is attributable to California
3 source income and deductions allowable in arriving at taxable
4 income of a nonresident or part-year resident.

5 (3) For purposes of computing “taxable income of a nonresident
6 or part-year resident” under paragraph (1), any carryover items,
7 deferred income, suspended losses, or suspended deductions shall
8 only be includable or allowable to the extent that the carryover
9 item, deferred income, suspended loss, or suspended deduction
10 was derived from sources within this state, calculated as if the
11 nonresident or part-year resident, for the portion of the year he or
12 she was a nonresident, had been a nonresident for all prior years.

13 (j) *For each taxable year beginning on or after January 1, 2007,*
14 *the 9.3 percent rate specified in subdivisions (a) and (c) shall be*
15 *reduced to 9.25 percent.*

16 SEC. 3. Section 23151 of the Revenue and Taxation Code is
17 amended to read:

18 23151. (a) With the exception of banks and financial
19 corporations, every corporation doing business within the limits
20 of this state and not expressly exempted from taxation by the
21 provisions of the Constitution of this state or by this part, shall
22 annually pay to the state, for the privilege of exercising its
23 corporate franchises within this state, a tax according to or
24 measured by its net income, to be computed at the rate of 7.6
25 percent upon the basis of its net income for the next preceding
26 income year, or if greater, the minimum tax specified in Section
27 23153.

28 (b) For calendar or fiscal years ending after June 30, 1973, the
29 rate of tax shall be 9 percent instead of 7.6 percent as provided by
30 subdivision (a).

31 (c) For calendar or fiscal years ending in 1980 to 1986, inclusive,
32 the rate of tax shall be 9.6 percent.

33 (d) For calendar or fiscal years ending in 1987 to 1996,
34 inclusive, and for any income year beginning before January 1,
35 1997, the tax rate shall be 9.3 percent.

36 (e) For any income year beginning on or after January 1, 1997,
37 the tax rate shall be 8.84 percent. The change in rate provided in
38 this subdivision shall be made without proration otherwise required
39 by Section 24251.

(f) (1) For the first taxable year beginning on or after January 1, 2000, the tax imposed under this section shall be the sum of both of the following:

(A) A tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for the next preceding income year, but not less than the minimum tax specified in Section 23153.

(B) A tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for the first taxable year beginning on or after January 1, 2000, but not less than the minimum tax specified in Section 23153.

(2) Except as provided in paragraph (1), for taxable years beginning on or after January 1, 2000, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 8.84 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

(3) For each taxable year beginning on or after January 1, 2007, the tax imposed under this section shall be a tax according to or measured by net income, to be computed at the rate of 8.79 percent upon the basis of the net income for that taxable year, but not less than the minimum tax specified in Section 23153.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.